

Message Text

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TO AMEMBASSY SANTIAGO

C O N F I D E N T I A L STATE 210289

E.O. 11652: GDS

TAGS: CI/EFIN, OAS

SUBJECT: CIAP COUNTRY REVIEW TO BE POSTPONED

1. AT OCTOBER 24 CIAP PLANNING SESSION FOR FORTHCOMING COUNTRY REVIEW, ATTENDED BY REPRESENTATIVES OF IMF, IBRD, IDB, EXIMBANK, AID, STATE AND TREASURY, CARLOS SANZ DE SANTAMARIA AND WALTER SEDWITZ PROPOSED POSTPONEMENT OF FORMAL COUNTRY REVIEW FROM NOVEMBER 1-2 TO EARLY JANUARY PRIOR TO PARIS CLUB MEETING. THEY SUGGESTED THAT SOME PARIS CLUB MEMBERS MIGHT BE INVITED. INFORMAL INTER-AGENCY MEETING WILL BE HELD IN EARLY DECEMBER ONCE THE IMF TEAM FINDINGS HAVE BEEN ORGANIZED. GOC WOULD BE ABLE TO ATTEND PART OF DECEMBER MEETING.

2. ACTUAL PROPOSAL BY SEDWITZ CAME AFTER SANZ PRAISED ABILITY OF RAUL SAEZ AND EXPRESSED GREAT PLEASURE AT SELECTION OF SAEZ TO COORDINATE GOC ECONOMIC POLICIES.

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SEDWITZ STATED THAT SAEZ IS NOW IN CARACAS AND WOULD

RETURN TO CHILE AT END OF OCTOBER, WHICH WOULD NOT PERMIT HIM TO PREPARE FOR EARLY NOVEMBER MEETING. ADDITIONALLY, CIAP FEELS THAT GOC ECONOMIC PLANS ARE NOT WELL ENOUGH ESTABLISHED FOR COUNTRY REVIEW TO TAKE PLACE. SEDWITZ IMPLIED THAT GOC HAS INFORMALLY SUGGESTED POSTPONEMENT AND HE WILL NOTIFY CARLOS MASSAD TO HAVE GOC OFFICIALLY REQUEST CHANGE OF DATE.

3. IFI REPRESENTATIVES AGREED TO COUNTRY REVIEW DELAY BUT INTEND TO GO AHEAD WITH EARLY NOVEMBER DEPARTURE DATES FOR THEIR OWN COORDINATED VISITS TO CHILE. IMF TEAM, PROBABLY ACCOMPANIED BY TWO IBRD TECHNICIANS, WILL ARRIVE IN SANTIAGO NOVEMBER 7. CIAP MISSION, PROBABLY INCLUDING IDB REPRESENTATIVES, WILL BE THERE AT APPROXIMATELY SAME TIME TO AVOID REPETITION OF GOC PRESENTATIONS.

4. JORGE DEL CANTO, DIRECTOR OF IMF'S WESTERN HEMISPHERE DIVISION AND CARLOS SANSON, IMF TEAM LEADER, STRESSED SERIOUS BALANCE OF PAYMENTS GAP THAT CHILE IS FACED WITH FOR REST OF 1973 AND 1974. GOC HAS ALREADY REQUESTED FOUR CREDIT TRANCHES TOTALLING 160 MILLION SDRS (APPROXIMATELY DOLS. 190 MILLION), BUT IMF DOES NOT BELIEVE IT CAN GO THAT FAR, AND CERTAINLY CANNOT FUND ENTIRE BALANCE OF PAYMENTS GAP, WHICH GOC ESTIMATES WILL BE DOLS. 400 MILLION, WITH ASSUMPTION OF 95 PERCENT DEBT RELIEF. KISSINGER

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